

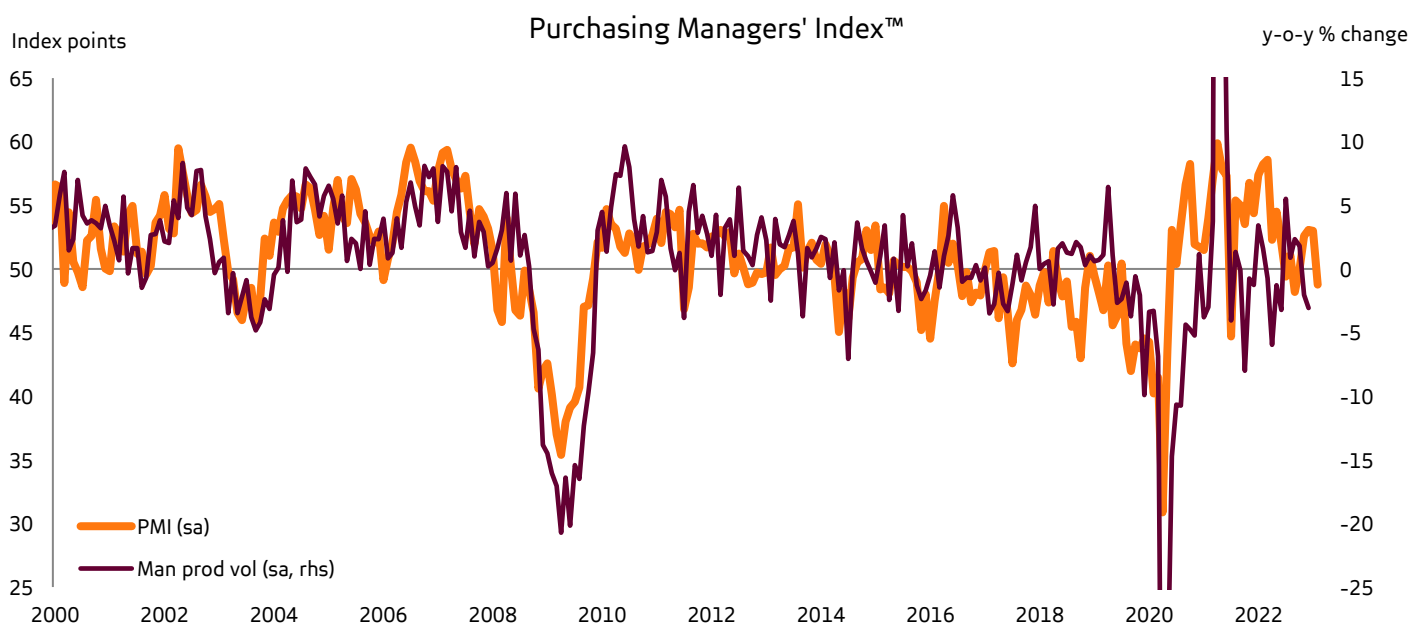
Absa Purchasing Managers' Index February 2023

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After surprising on the upside in January, the seasonally adjusted **Absa Purchasing Managers' Index (PMI)** declined to 48.8 index points in February. This was the first time since September 2022 that the headline index fell below the neutral 50-point mark, pointing to a marked deterioration in business conditions in the factory sector. Indeed, the **business activity** and **new sales orders indices** were both in contractionary terrain, with demand dipping for a second consecutive month. The February survey period included an unprecedented seven consecutive days of stage 6 load-shedding, which was likely top of mind for many respondents. To be sure, load-shedding once again featured frequently in the commentary where respondents explained why activity declined relative to the previous month. A glimmer of good news was that **export sales** rose to the best level in a year, implying that producers supplying solely to the domestic market likely had a tough month. In line with a weaker output picture, the **employment** and **inventories** indices also came in below the neutral 50-point mark.

There was more bad news in the form of a sharp decline in the index measuring **expected business conditions** in six months' time. The index fell to 46.8 points in February, which is the lowest level since May 2020. This means that respondents have not been this downbeat about future conditions since the country was slowly moving out of the strictest phase of the COVID-lockdown.

Furthermore, the **purchasing price index** surged higher for a second month to reach the highest level since September 2022. The survey took place while the rand was very weak (against the US dollar), largely trading above R18/\$. This would have filtered through to the costs of especially imported raw materials and intermediate goods. The surge in the PMI's price index suggests that we may see a renewed acceleration in factory-gate prices. That said, the index remains well below the peak reached in the first months of 2022.

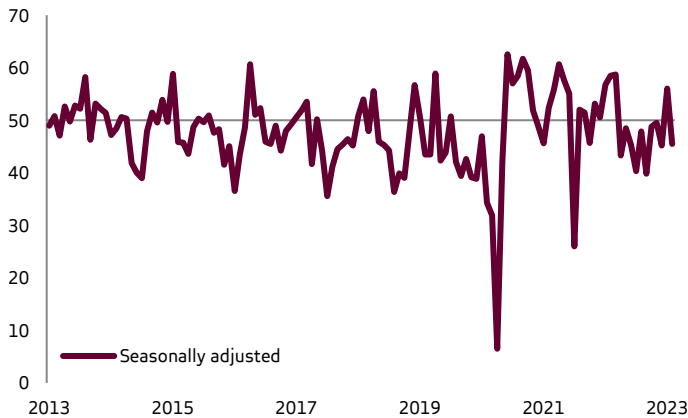


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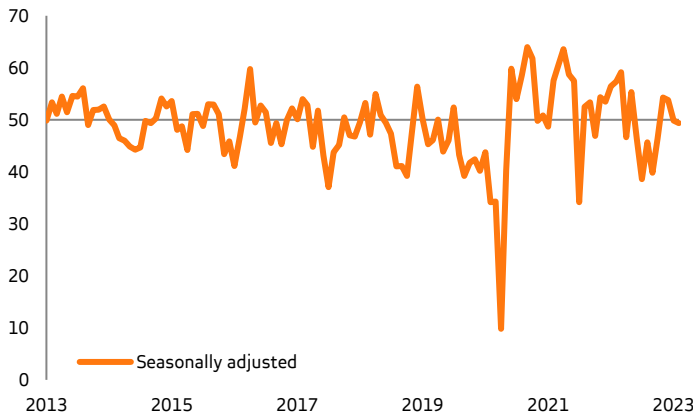
PMI: Business activity



As cautioned last month, the solid performance of the **business activity index** in January was not sustained. Indeed, the activity index plunged back to December's level. The February survey period included an unprecedented seven consecutive days of stage 6 load-shedding, which was likely top of mind for many respondents. Indeed, load-shedding once again featured frequently in respondent commentary on why activity declined relative to the previous month.

	Dec	Jan	Feb
Business activity	45.2	56.0	45.5

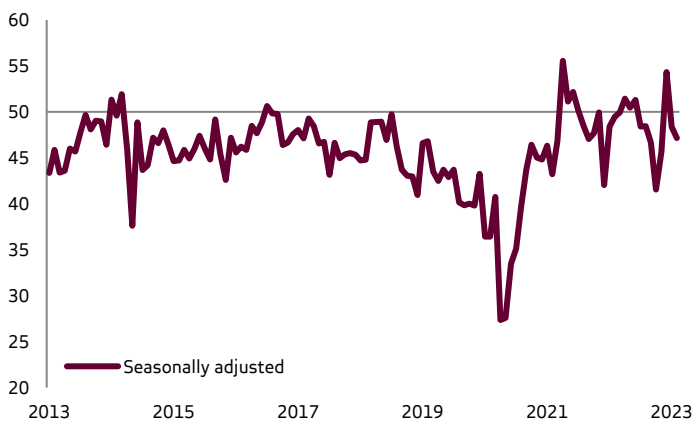
PMI: New sales orders



The **new sales orders index** ticked down to its lowest level since October 2022. This was despite a solid improvement in export sales and points to weaker domestic demand.

	Dec	Jan	Feb
New sales orders	53.8	49.9	49.4

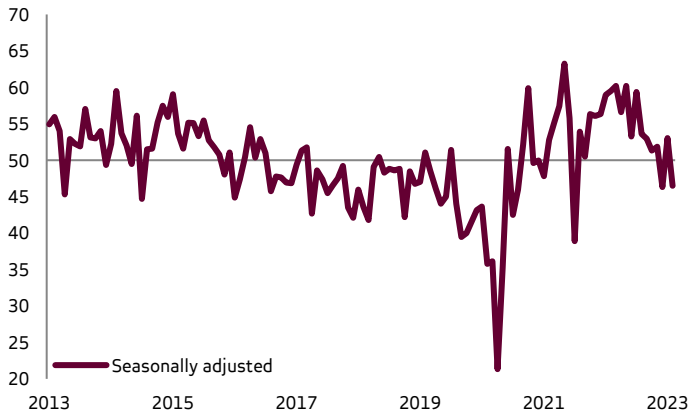
PMI: Employment



The **employment index** declined further in February and is now firmly back below the neutral 50-point mark following an unexpected rise above this level in December.

	Dec	Jan	Feb
Employment	54.3	48.4	47.1

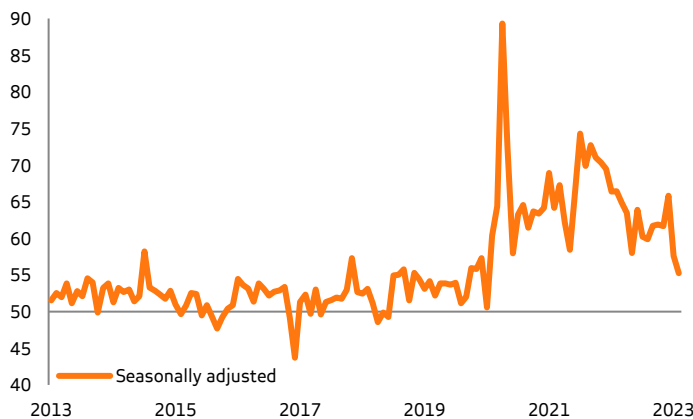
PMI: Inventories



The **inventories index** slumped back to December's level, falling below the neutral 50-point mark. Barring the 46.3 recorded in December, this is the lowest level since July 2021.

	Dec	Jan	Feb
Inventories	46.3	53.1	46.5

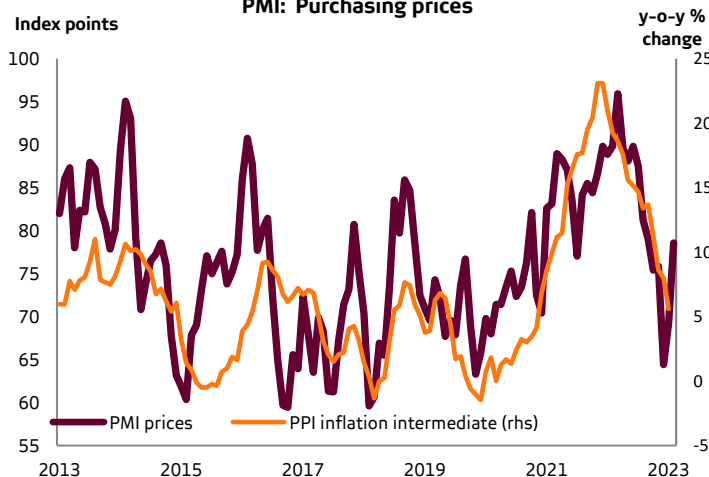
PMI: Supplier deliveries



The **supplier deliveries index** continued its recent downward trend and moved closer to its long-term average level (around 53 points). The recent downward move is likely due to the continued weakness in demand, with lower demand for inputs resulting in more responsive deliveries. However, less constrained global supply chains resulting in faster delivery times (as the index is inverted, so faster delivery times result in a decrease) could have also contributed to the downtick.

	Dec	Jan	Feb
Supplier deliveries	65.8	57.6	55.3

PMI: Purchasing prices



The **purchasing price index** surged higher for a second month to reach the highest level since September 2022. The survey took place while the rand was very weak (against the US dollar), largely trading above R18/\$. This would have filtered through to costs of especially imported raw materials and intermediate goods. A largely stable Brent crude oil price capped the increase in cost pressure. The surge in the PMI's price index suggests that we may see a renewed acceleration in factory-gate prices. That said, the index remains well below the peak reached in the first months of 2022.

	Dec	Jan	Feb
Purchasing prices	64.4	69.3	78.6

The PMI is an economic activity index based on a survey conducted by the Bureau for Economic Research and sponsored by Absa. The monthly surveys are conducted under a representative group of purchasing managers in the South African manufacturing sector. These purchasing managers have to indicate each month whether a particular activity (e.g. new sales orders) for their company has increased, decreased or remained unchanged. Diffusion indices are then calculated by taking the percentage of respondents that reported an increase and adding it to one-half of the percentage that reported no change. This results in an index for which a value of 50 indicates no change in the activity, a value above 50 indicates increased activity and a value below 50 indicates decreased activity. The indices are then seasonally adjusted, but no further smoothing method is applied. The headline PMI is calculated as the weighted average of the following indices (weights in parentheses): Business Activity (0.20), New Orders (0.20), Employment (0.20), Supplier Deliveries (0.20) and Inventories (0.20). Note that the inverse of the Supplier Deliveries index is used in the PMI calculation. For more information on the South African manufacturing PMI, the historical data series as well as a description of the questions in the PMI survey, please visit the BER's website (www.ber.ac.za).